



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### Testimony

#### The Insurance and Real Estate Committee

February 5, 2013

#### **RB No. 808 An Act Requiring Public Comment for Long-Term Care Policy Rate Filings**

After careful review and analysis, the Department opposes RB No.808. We recognize that the cost of long term care health insurance, in both the individual and group market, is significant for insured policyholders and certificate holders, many of whom are senior citizens. We are sympathetic to consumers trying to meet these costs, especially in these economic times. The Department understands and shares the goal of legislators and proponents of this bill. However we fear that this bill if enacted will have the opposite effect. There is a significant risk after enactment, of a reduction in the number of health insurers writing long term health insurance in Connecticut.

Long term care is a unique product that is very different than insurance for medical care. It is not a product for all individuals. Long term care insurance helps protect individuals from spending down all of his or her assets if he or she requires nursing home or home health care. In Connecticut, nursing home costs are well in excess of \$100,000 per year.

It is the Department's responsibility to assure long term solvency of carriers to be able to make good on their commitments to policy owners. Claims are not expected to be paid until several years in the future, so carriers must build ample reserves to pay claims down the road. Carriers must meet minimum loss ratios over the lifetime of the long term care policies. If actual claims begin to exceed expected claims used in the development of the original premium, the carrier may not have sufficient funds to pay future claims. With advances in medical technology, individuals are living longer, but are not necessarily healthier. The primary cause of long term care rate increases is that more individuals are going into claim than was originally projected years ago when the initial premiums were developed. Although the Department is interested in the concerns of the public, it is important that rates be adequate as well as not excessive. The rate review process cannot be based on public opinion or politicized. Arbitrarily setting premiums to levels that are inadequate can lead to insolvencies as we have seen in other states such as Pennsylvania.

The current rate review process is based on actuarial science and is fair, objective, and without bias. Over the last five years the Department has received 140 long term care rate increase requests. Of those, 91 have been disapproved entirely, 13 have been approved as submitted and the remainder have been disapproved at the requested level but allowed a lower level increase.

Public symposiums will not change the result of the actuarial review in determining whether the premium rates are adequate, not excessive nor unfairly discriminatory. Such symposiums will require additional resources for the Insurance Department at a time when government is encouraged to streamline its processes and to be more efficient. This requirement adds more bureaucracy and cost not only to state government but to the health care system and ultimately to policyholder premiums.

Last, but by no means least, the Department has updated its website in response to these concerns. All information concerning individual and group long term care insurance rate increase requests (as well as for major medical type health insurance) is posted on our website. Consumers can elect an E- Alert from the Department so they are notified of requested premium rate increases. There is a public comment feature whereby consumers can add their comments and concerns about a rate request that may impact them on 24/7 basis. We are proud of this enhancement and believe it eliminates the need for symposiums.

Thank you for this opportunity to comment on this bill. The Department looks forward to working with the Committee on this issue.